

Heathrow

HEATHROW (SP) LIMITED

RESULTS FOR THE SIX MONTHS ENDED
30 JUNE 2023



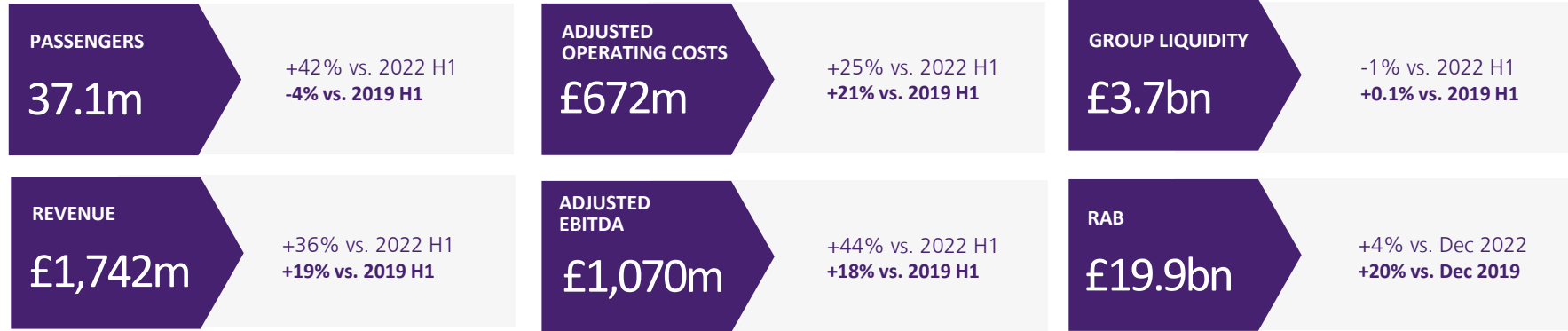


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2023 H1 PERFORMANCE



OPERATIONAL AND FINANCIAL PERFORMANCE



Operational and financial highlights

- Resilient demand drives strong H1
- More destinations and frequency
- Strong passenger service
- Ready for the Summer getaway
- First sustainability-linked bond
- New CEO appointed
- EBITDA recovering
- Continue to make an adjusted loss before tax
- Very strong liquidity and balance sheet

STRATEGIC PRIORITIES

- Rebuild the aviation eco system to focus on efficiency, resilience, skills and training
- Regulatory settlement that incentivises investment to deliver for consumers
- Net zero-carbon aviation
- Sustainable, affordable, financeable and deliverable expanded Heathrow

BUSINESS UPDATE

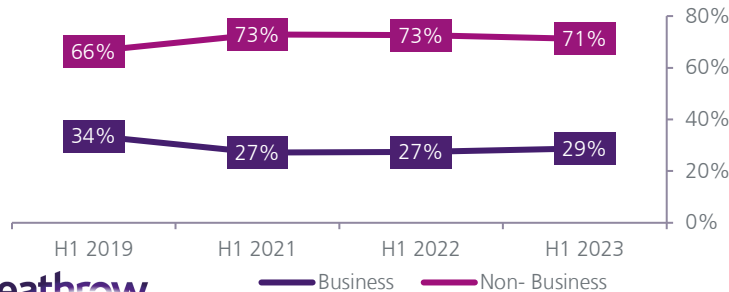


RESILIENT DEMAND SUPPORTING PASSENGER NUMBERS

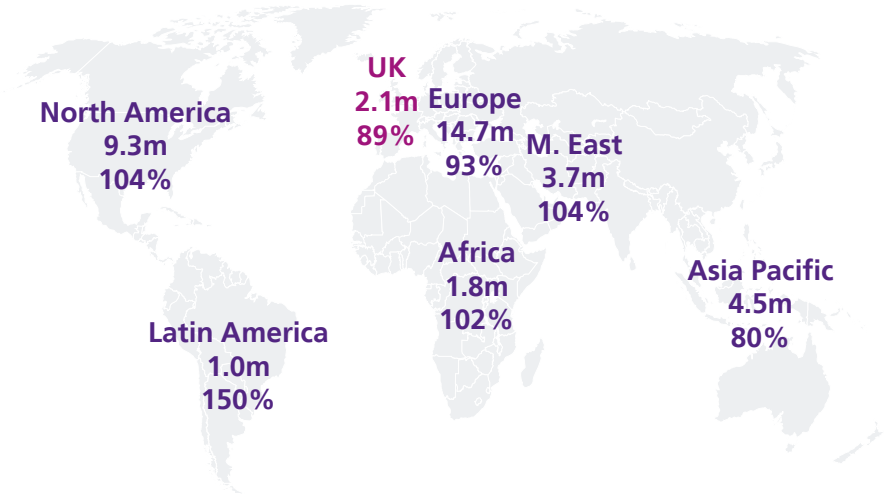
Heathrow	2019 H1	2022 H1	2023 H1	Vs. 2019 %
Passengers (m)	38.8	26.1	37.1	▼ -4%
Passengers ATM	233,956	166,094	217,135	▼ -7%
Seats per ATM	213.0	215.2	220.8	▲ +4%
Load factors (%)	77.8	72.9	77.3	▼ -1%
Cargo ATM	1,404	6,339	1,854	▲ 32%
Cargo tonnage (*) ('000)	846	711	663	▼ -22%

(*) Includes mail

Passenger Profile by Segments



2023 H1 passenger numbers by market
(2023 as a % of 2019 levels)



Total of 37.1 million passengers
(96% of 2019 levels)

STRENGTHENING OUR POSITION AS EUROPE'S BUSIEST AIRPORT

Heathrow

37.1m passengers
+11.0m vs. 2022 H1
 +42.1% vs. 2022 H1
 -4.3% vs. 2019 H1

Cargo 0.7m tonnes
 -6.8% vs 2022 H1
 -21.6% vs 2019 H1

Charles de Gaulle

31.8m passengers
+6.9m vs. 2022 H1
 +27.9% vs 2022 H1
 -12.5% vs 2019 H1

Schiphol

28.7m passengers
+4.9m vs. 2022 H1
 +20.6% vs 2022 H1
 -17% vs 2019 H1

Cargo 0.7m tonnes
 -5.9% vs 2022 H1
 -11.5% vs 2019 H1

Madrid

28.5m passengers
+6.5m vs. 2022 H1
 +29.3% vs 2022 H1
 -2.7% vs 2019 H1

Cargo 0.3 tonnes
 +9.5% vs 2022 H1
 +15.5% vs 2019 H1

Frankfurt

26.9m passengers
+6.1m vs. 2022 H1
 +29.1% vs 2022 H1
 -20.1% vs 2019 H1

Cargo 0.9m tonnes
 -10.1% vs 2022 H1
 -12.9% vs 2019 H1



INCREASING LEAD IN KEY GROWTH MARKETS VERSUS COMPETITORS



USA

- Over one in three seats flying between the USA and Europe passed through Heathrow
- More flights to the USA than ever before - 248 daily flights to/from 31 US destinations
- New York flights every 25 minutes – 32 daily



China

- One in three seats flying between China and Europe passed through Heathrow
- More than 60 flights operating per week serving 11 destinations
- Growth from 10k passengers in January to 111k in June (75% of 2019 levels)



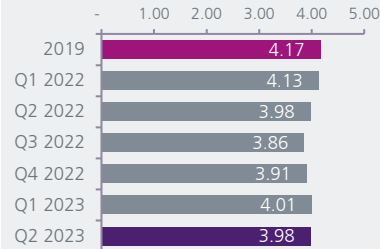
India

- One in two seats between India and Europe passed through Heathrow
- More than 15 daily flights to/from 5 Indian destinations
- New airlines and routes launched, increasing competition to the biggest airports

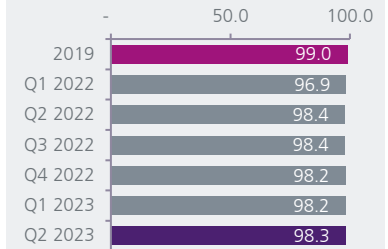
OUR FOCUS ON PASSENGER EXPERIENCE HAS DELIVERED IMPROVED SERVICE



Passenger satisfaction
Airport Service Quality 'ASQ'

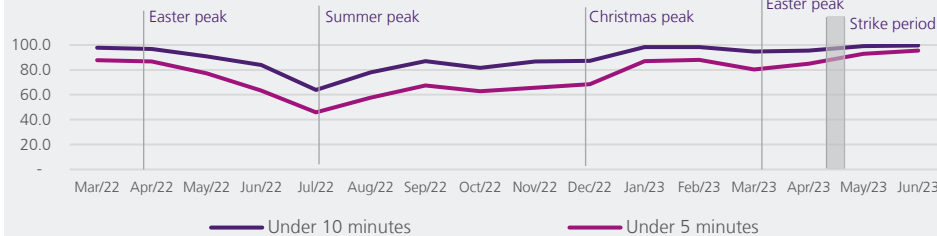


Baggage connection - %
Connection rate per 1,000 passengers



Monthly Security Queuing - %

Waiting time measured under 5 and 10 minutes



Arrivals and Departures punctuality - %

Within 15 minutes of the schedule

■ Arrivals ■ Departures



OUR H7 INVESTMENT PLAN WILL IMPROVE OPERATIONAL RESILIENCE AND SERVICE STANDARDS



T2 Baggage System

- Migrating the existing baggage operation from T1 to T2
- Greater reliability in baggage flow and connection rates, improving passenger experience
- System will be operable in early H8

Efficient Airport

- Improve overall passenger satisfaction, with specific focus on those requiring support
- Improving airfield efficiency and departures punctuality
- Increase stand capacity and support airline automation

HEATHROW 2.0: SIGNIFICANT ADVANCE TOWARDS A SUSTAINABLE FUTURE IN GLOBAL AVIATION



Net zero aviation

- First airport to achieve SBTi validation for a 1.5-degree pathway
- First sustainability-linked bond
- SAF incentive for 2023 increased to 1.5% of total aviation fuel (with a target of 11% by the end of the decade)

Great place to live and work

- Consultation on Heathrow's Noise Action Plan 2024-28, which includes:
 - Variable landing charges to incentivise quieter planes
 - Residential insulation scheme
 - Cap to restrict night movements
 - Engagement forums with local communities
- Giving Back Programme: 1,500 hours of volunteering and 4,000 work experience opportunities delivered to local students.

FINANCIAL REVIEW



FINANCIAL REVIEW

(£ million)	H1 2022	H1 2023	Versus 2022 %	Q2 2022	Q2 2023	Versus 2022 %
Revenue	1,280	1,742	36.1	764	928	21.5
Adjusted operating costs	(536)	(672)	25.4	(293)	(344)	17.4
Adjusted EBITDA	744	1,070	43.8	471	584	24.0
Adjusted Loss before tax	(321)	(139)	56.7	(98)	0	100.0
Cash generated from operations	755	887	17.5	477	513	7.5
Capital expenditure	215	279	29.8	141	178	26.2

(£ million)	Dec 2022	Jun 2023	Versus Dec 22 %
Consolidated nominal net debt			
Heathrow (SP)	14,579	14,774	1.3
Heathrow Finance	15,786	15,960	1.1
Regulatory Asset Base	19,182	19,945	4.0

REVENUE RECOVERY DRIVEN BY PASSENGER INCREASE

Solid performance in aeronautical revenue

- Higher passenger numbers and ATMs
- 2023 interim price cap unchanged

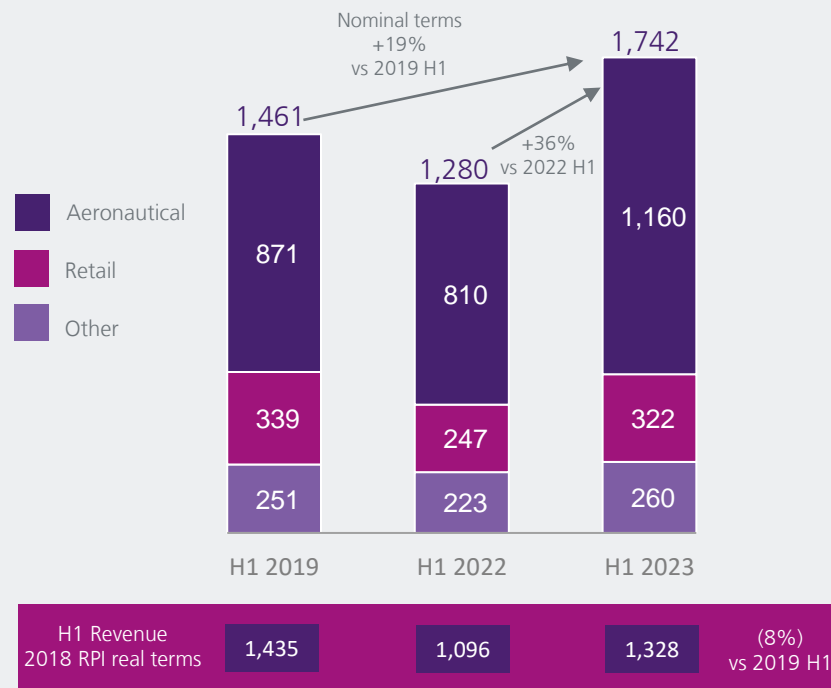
Retail

- Restricted by removal of VAT free shopping

Other revenue

- Heathrow Express recovery in line with passenger increase

Analysis of revenue (£m)



DEVELOPING OUR COMMERCIAL PROPOSITION FURTHER IS CENTRAL TO OUR H7 INVESTMENT PLAN



Heathrow

T2 Retail

- 13 new openings with new brands coming

Digital Retail

- Click and collect expansion with more collection points in T3 and T4
- Increase availability of retailers trading online

Terminal space optimisation

- Replan retail space to support peak periods and seating availability

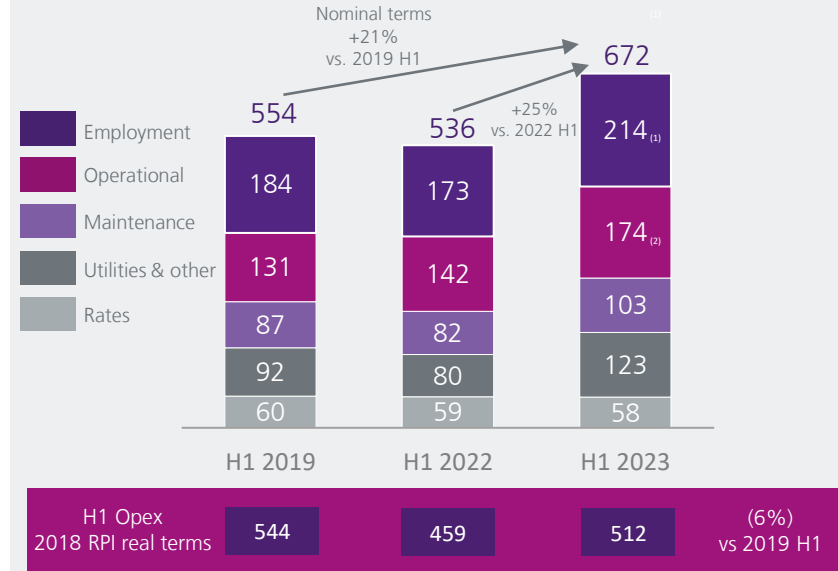
VIP

- Rebranding and refurbishment of VIP suites
- Increase private capacity

INCREASED OPERATING COSTS AS WE REBUILD CAPACITY

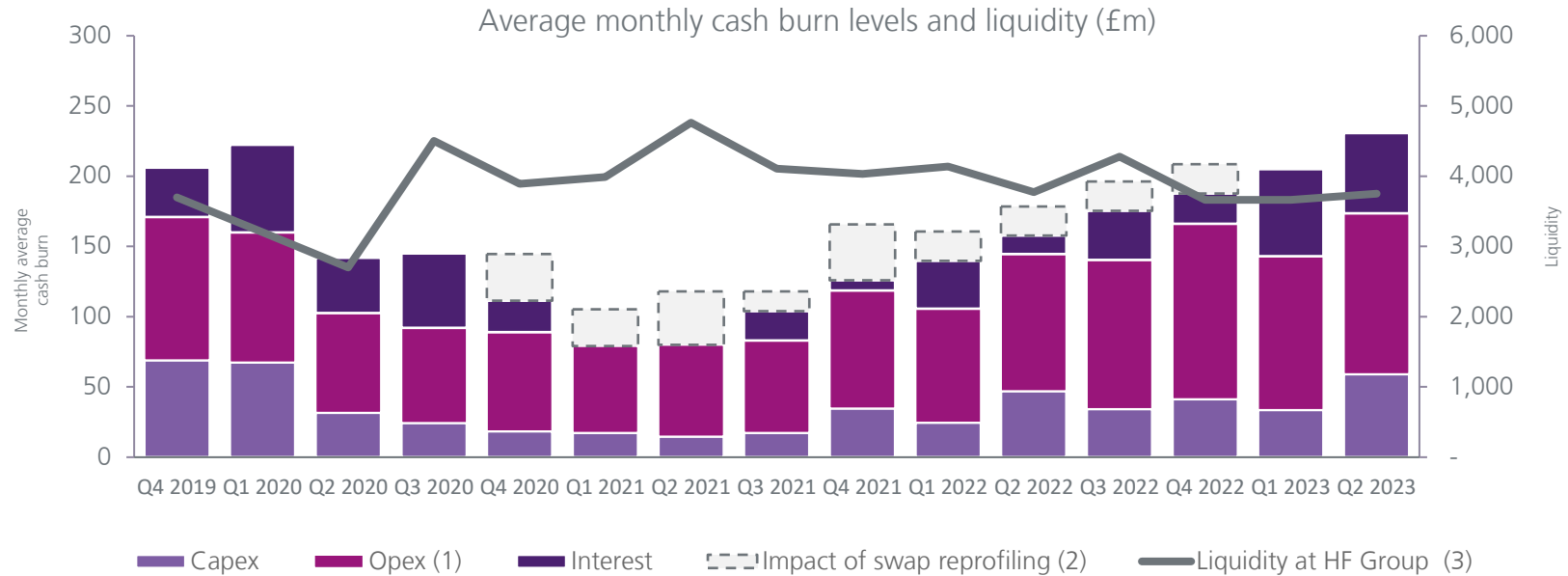
- Employment and operational costs have increased due to rebuilding capacity and inflation
- The increase in maintenance is largely driven by terminal cleaning and conservation
- Utilities and other costs have been impacted by higher consumption and higher energy prices
- Business rates remained broadly flat

Analysis of adjusted operating costs (£m)



(1) Employment including 3rd party resourcing
 (2) Operational excluding 3rd party resourcing

CASH BURN IS NORMALISING AS INVESTMENT RECOVERS



(1) Opex excludes impact of 2020 opex prepayments of c.£280m

(2) Our swap portfolio reprofiling resulted in c.£100m of interest prepayment in Q4 2020 with interest savings arising from Q1 2021 to Q4 2022.

(3) Liquidity position including cash and undrawn facilities

DRIVING SUSTAINABILITY IN AVIATION WITH OUR DEBUT SUSTAINABILITY-LINKED BOND

We are taking a further step in our commitment to sustainability by incorporating it in our funding strategy

- In June we published our Sustainability-Linked Bond Framework
- The Framework allows the issuance of sustainability-linked financing note instruments, which may include public bonds, private placements “PPs”, US private placements “USPPs” and any other sustainability-linked bond instruments.
- The Framework is aligned with the five core components of the 2023 ICMA Sustainability-Linked Bond Principles (“SLBPs”):
- Second Party Opinion provided by DNV



Heathrow

Heathrow's First Sustainability Linked Bond

EUR 650m
Orderbook of €1.8bn

10 years

KPI 1
Reduction of 'in the air'
carbon emissions

Baseline : 19,993,153 tCO₂e in 2019
SPT 1.1: A 10% cut by 2026
SPT 1.2: A 15% cut by 2030

KPI 2
Reduction of 'on the ground'
carbon emissions

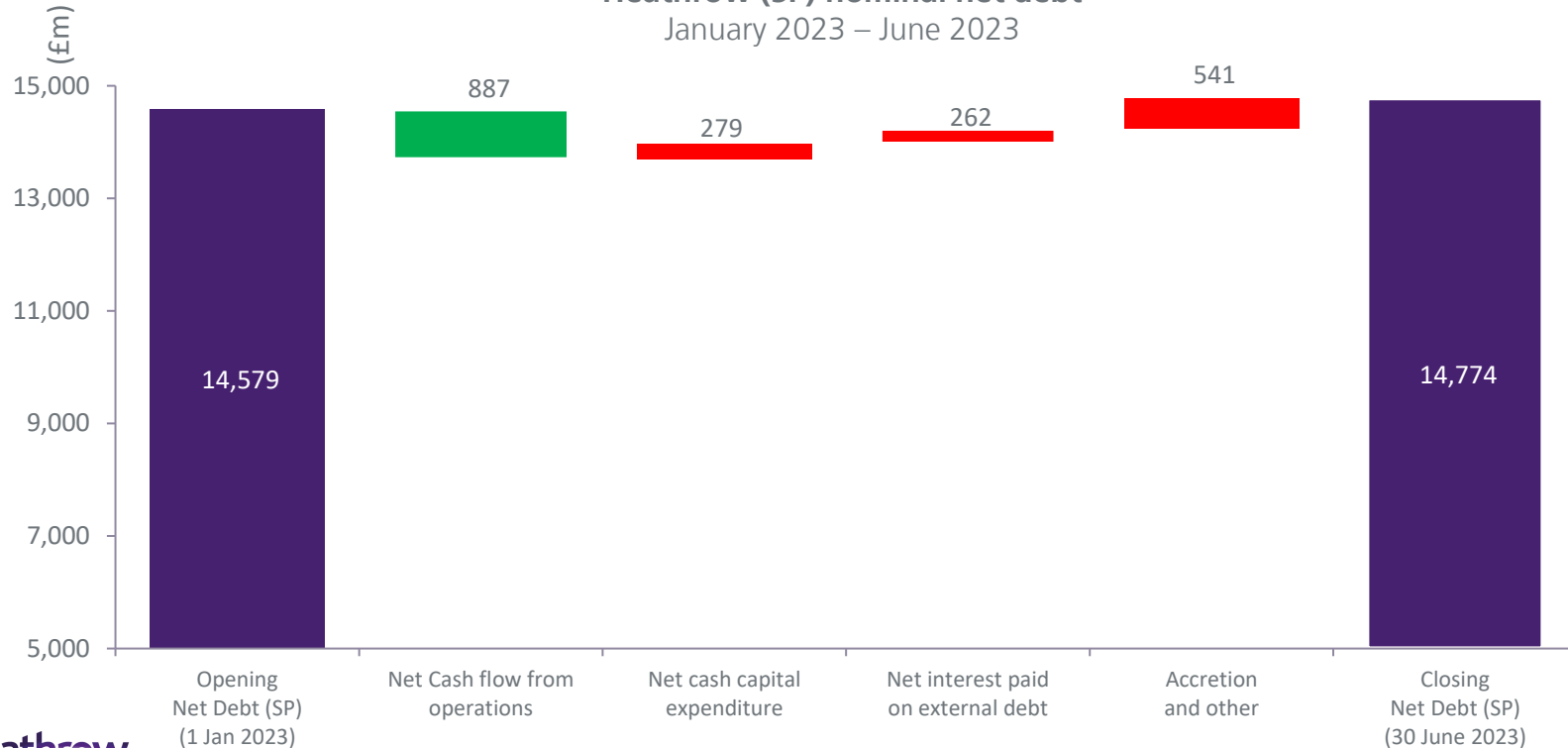
Baseline: 1,047,588 tCO₂e in 2019
SPT 2.1: A 26% cut by 2026
SPT 2.2: A 46.2% cut by 2030

Step Up
Margin

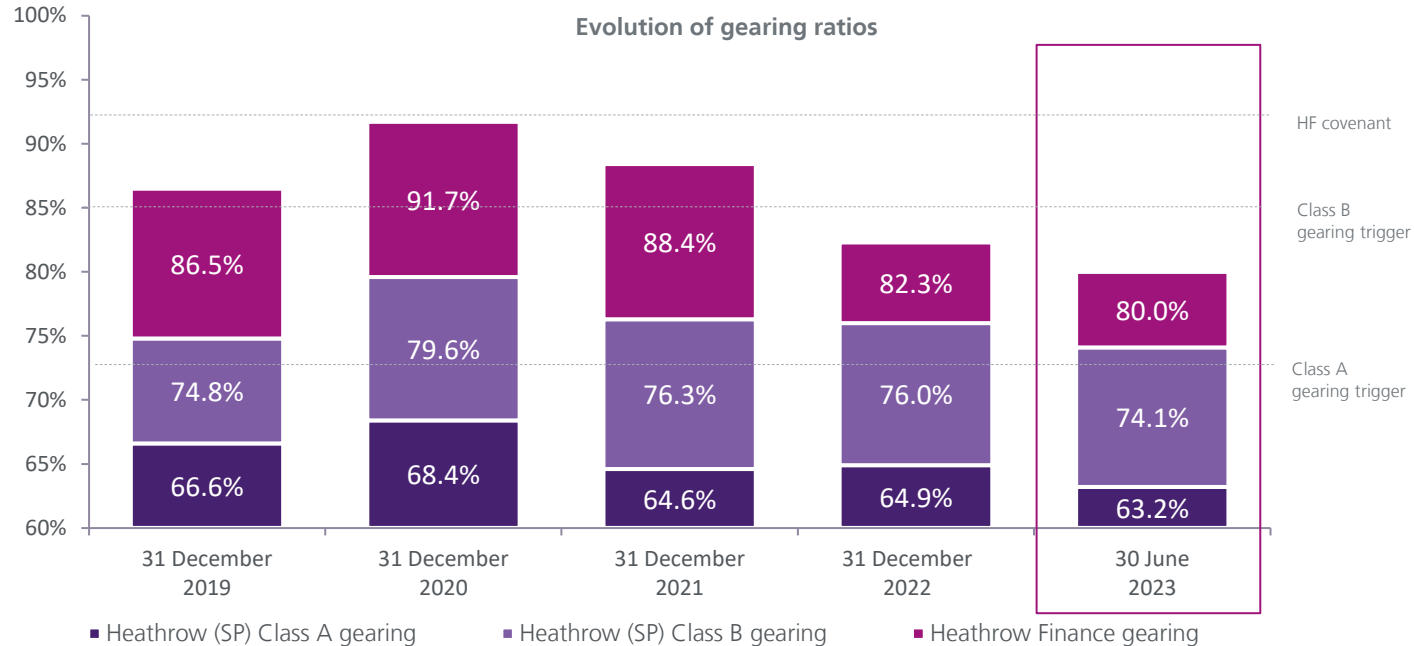
KPI 1: 0.25% p.a. in respect of 'in the air event'
KPI 2: 0.25% p.a. in respect of 'on the ground event'

NET DEBT REMAINS STABLE

Heathrow (SP) nominal net debt
January 2023 – June 2023



GROUP GEARING RATIOS CONTINUE TO BE BELOW PRE-PANDEMIC LEVELS



OUTLOOK

- Financial outlook remains consistent with the revised guidance published in our June Investor Report
- Q3 results to be published on 26 October 2023



STRATEGIC UPDATE



GIVING PASSENGERS THE BEST AIRPORT SERVICE IN THE WORLD – A DECADE OF DELIVERY



- Sunday Times Top 30 Best Company to Work For



- Skytrax Top 10 Airport Worldwide



- Delivered regulated returns in 2014/19
- Successfully navigated COVID-19 crisis



- 4:1 parliamentary majority for expansion
- Edie Sustainable Business of the Year
- ICAO Goal of Net Zero Aviation by 2050

Q&A

APPENDICES CONTENT



THE CAA'S FINAL DECISION HAS BEEN APPEALED TO THE CMA

CAA's Final Decision

Average price cap of £23.06 (2020 CPI)

Passenger forecast of 375.5m

Capex of £3.6bn (2020 CPI)

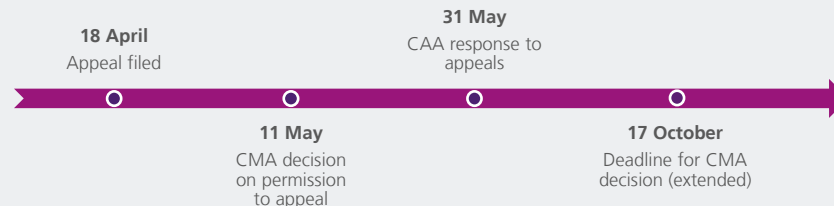
Pre-tax WACC of 4.04%

RAB adjustment of £300m

CMA Appeal Process

On 18 April, we filed an appeal of the CAA's decision to the CMA, formally requesting the CMA to review the following parts of the CAA's decision:

- The decision on WACC, specifically the asset beta and cost of embedded debt;
- The decision to only apply a £300m RAB adjustment;
- The decision to apply an additional K-factor to claw back over recovery against the passenger yield in 2020 and 2021; and
- The CAA's new capital incentive framework which will be more costly and complex.



HEATHROW EXPANSION

We remain committed to a long-term sustainable expansion

- Currently reviewing our plans for delivering expansion
- ANPS is in full effect post legal challenge
- Expanding capacity to meet growing demand
- Decarbonising aviation a central part of the Government's green growth agenda



HEATHROW NOMINAL NET DEBT AT 30 JUNE 2023

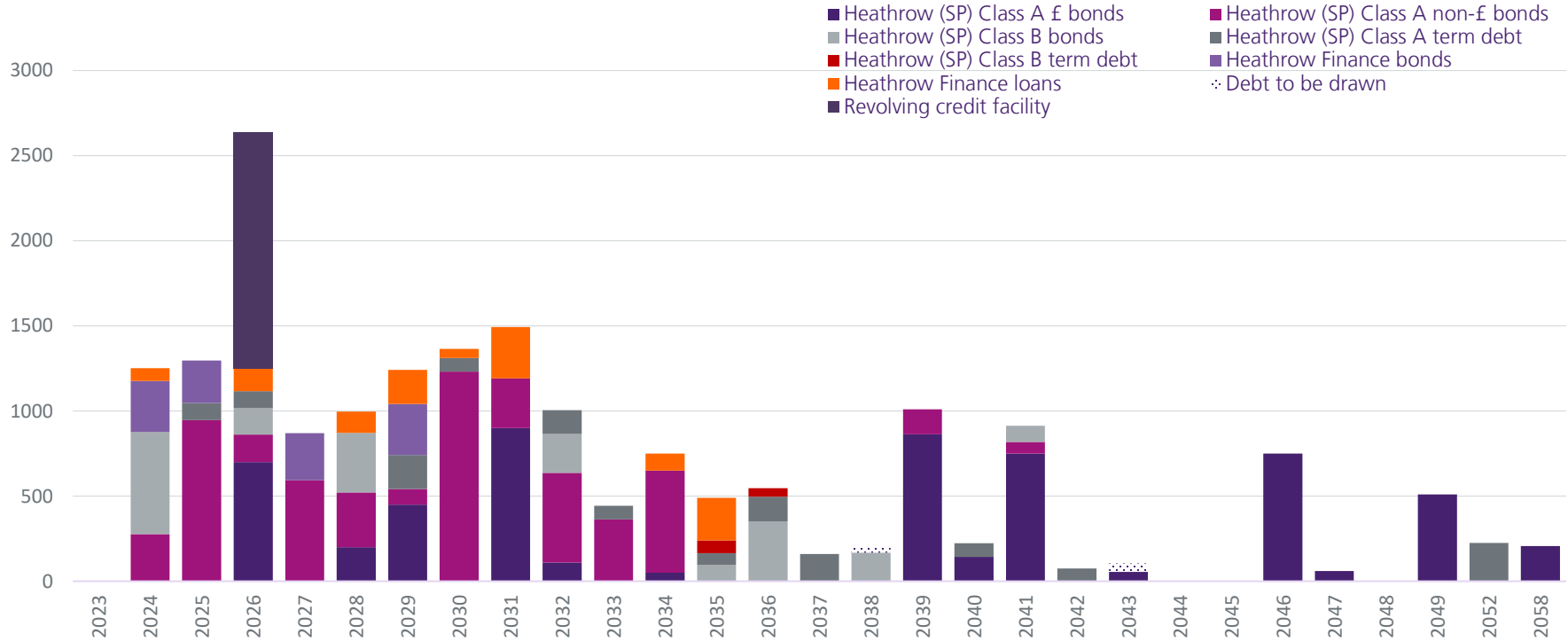
Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Senior debt			
CHF400m 0.5%	277	277	2024
€500m 3.25%	266	266	2025
€750m 1.50%	681	681	2025
CHF210m 0.45%	161	161	2026
€700m 6.75%	700	700	2026
NOK1,000m 2.65%	84	84	2027
€650m 2.7%	374	374	2027
€5400m 3.4%	226	226	2028
€200m 7.075%	200	200	2028
AS175m 4.150%	96	96	2028
CHF165m 1.800%	136	136	2029
€450m 2.75%	450	450	2029
NOK1,000m 2.50%	91	91	2029
€750m 1.5%	566	566	2030
€5400m 3.872%	238	238	2030
€500m 1.125%	427	427	2030
€500m 3.661%	291	291	2031
€900m 6.45%	900	900	2031
€50m Zero Coupon	42	42	2032
€75m RPI +1.366%	110	110	2032
€50m Zero Coupon	42	42	2032
€500m 1.875%	443	443	2032
€300m 3.7%	363	363	2033
€650 1.875%	559	559	2034
€50m 4.171%	50	50	2034
€50m Zero Coupon	40	40	2034
€50m RPI +1.382%	73	73	2039
€86 Zero Coupon	75	75	2039
€460m RPI +3.334%	790	790	2039
¥10,000m 0.8%	71	71	2039
€100m RPI +1.238%	144	144	2040
€750m 5.875%	750	750	2041
AS125m 3.500%	68	68	2041
€55m 2.926%	55	55	2043
€750m 4.625%	750	750	2046
€60m 4.702%	60	60	2047
€75m RPI +1.372%	110	110	2049
€400m 2.75%	400	400	2049
€160m RPI +0.147%	206	206	2058
Total senior bonds	11,365	11,365	
Term debt	1,455	1,455	Various
Index-linked derivative accretion	897	897	Various
Revolving / WC facilities	0	1019	2026
Operating lease liability	50	50	Various
Total other senior debt	2,402	3,421	
Total senior debt	13,767	14,786	
Heathrow (SP) Limited cash	(1,163)		
Senior net debt	12,604		

Heathrow (SP) Limited	Amount	Available	Maturity
	(£m)	(£m)	
Junior debt			
€600m 7.125%	600	600	2024
€155m 4.221%	155	155	2026
€350m 2.625%	350	350	2028
€182m 0.101%	229	229	2032
€75m RPI + 0.347%	95	95	2035
€75m RPI + 0.337%	95	95	2036
€180m RPI +1.061%	257	257	2036
€51m RPI + 0.419%	64	64	2038
€105m 3.460%	105	105	2038
€75m RPI + 0.362%	95	95	2041
Total junior bonds	2,045	2,045	
Term debt	125	125	Various
Junior revolving credit facilities	0	367	2026
Total junior debt	2,170	2,537	
Heathrow (SP) Limited group net debt	14,773		

Heathrow Finance plc	Amount	Available	Maturity
	(£m)	(£m)	
£300m 4.75%	300	300	2024
€250m 5.75%	250	250	2025
€275m 3.875%	275	275	2027
€300m 4.125%	300	300	2029
Total bonds	1,125	1,125	
€75m	75	75	2024
€135m	135	135	2026
€125m	125	125	2028
€200m	200	200	2029
€53m	53	53	2030
€302m	302	302	2031
€100m	100	100	2034
€250m	250	250	2035
Total loans	1,239	1,239	
Total Heathrow Finance plc debt	2,364	2,364	
Heathrow Finance plc cash	(1,178)		
Heathrow Finance plc net debt	1,186		

Heathrow Finance plc group	Amount	Available
	(£m)	(£m)
Heathrow (SP) Limited senior debt	13,767	14,786
Heathrow (SP) Limited junior debt	2,170	2,537
Heathrow Finance plc debt	2,364	2,364
Heathrow Finance plc group debt	18,301	19,687
Heathrow Finance plc group cash	(2,341)	
Heathrow Finance plc group net debt	15,960	

DEBT MATURITY PROFILE AT 30 JUNE 2023



NOTES, SOURCES AND DEFINED TERMS

Page 4

Adjusted EBITDA: is profit before interest, taxation, depreciation, amortization and fair value adjustments on investment properties and exceptional items.

Page 8

Passenger and cargo numbers as of 30 June 2023 were sourced from companies' websites.

Page 10

Airport Service Quality 'ASQ' – quarterly Airport Service Quality surveys directed by Airports Council International (ACI). Survey scores range from 1 up to 5.
Arrivals / Departure punctuality – the percentage of flights departing within 15 minutes of schedule.
Baggage connection – number of bags connected per 1,000 passengers.
Security queuing - % of security waiting time measured under 5 and 10 minutes time period measured.

Page 14

Operating costs exclude depreciation, amortization and fair value adjustments on investment properties and exceptional items.
Adjusted EBITDA: is profit before interest, taxation, depreciation, amortization and fair value adjustments on investment properties and exceptional items.
Capital expenditure includes capital creditors.
Consolidated net debt at Heathrow (SP) Limited and Heathrow Finance plc is calculated on a nominal basis excluding intra-group loans and including index-linked accretion.
RAB: Regulatory Asset Base.

Page 17

Operating costs exclude depreciation, amortisation and fair value adjustments on investment properties and exceptional items.

Page 20

Opening and closing nominal net debt includes index-linked accretion.
Cash capital expenditure for the period.
Other comprises index-linked accretion, external tax payments and fees paid in relation to financing transactions.

Page 21

Gearing ratio: external nominal net debt (including index-linked accretion and additional lease liabilities) to RAB (regulatory asset base).

Page 29-30

Net debt is calculated on a nominal basis excluding intra-group loans and including index-linked accretion and includes non-sterling debt at exchange rate of hedges entered into at inception of relevant financing.
Maturity is defined as the Scheduled Redemption Date for Class A bonds.

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Heathrow

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